

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT OF ESTILL COUNTY WATER	)	2017-00377
DISTRICT NO. 1		

ORDER

On September 18, 2017, Estill County Water District No. 1 (“Estill County”) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.<sup>1</sup>

The Commission notes that in its 2015 Annual Report, Estill County reported a water loss of 35.4295 percent.<sup>2</sup> Estill County’s application provides updated purchases and sales information for a more current period than the 2015 Annual Report. Commission regulation 807 KAR 5:066, Section 6 (3) states that for ratemaking purposes a utility’s unaccounted-for water loss shall not exceed 15 percent of total water produced and purchased, excluding water consumed by a utility in its own operations. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2015 Annual Report,<sup>3</sup> Estill County’s

---

<sup>1</sup> KRS 278.015; 807 KAR 5:068.

<sup>2</sup> 2015 Annual Report at 61, line 33.

<sup>3</sup> 2015 Annual Report, at 56, line 21, divided by line 4, (1,080 divided by 264,870) equals 0.0041 percent.

unaccounted-for loss is determined to be 38.3131 percent for the updated period.<sup>4</sup> Reduction of Estill County’s unaccounted-for water loss to 15 percent would result in an approximate \$192,317.30<sup>5</sup> decrease to purchased water expense. Potentially, Estill County is paying \$1.19 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the allowable 15 percent<sup>6</sup> threshold.

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold and strongly encourages Estill County to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Estill County to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

The Commission, having reviewed the record and being sufficiently advised, finds that:

1. Estill County purchases water from Irvine Municipal Utilities (“Irvine”) and Jackson County Water Association (“Jackson County”).

---

<sup>4</sup> Total Purchases (application PWA Form 1 at 2)	263,512,500
Less Total Sales (application PWA Form 1 at 2)	161,480,010
Less plant use (% determined from 2015 AR)	<u>1,072,496</u>
Water loss – gallons	100,959,994
Water loss – percent	38.3131
Water loss – above 15 percent	23.3131

<sup>5</sup> Water loss above 15 percent = 23.3131%. Potential purchased water expense reduction (cost at new wholesale rate times water loss above 15 percent) = 192,317.30.

<sup>6</sup> Potential purchased water expense reduction divided by sales(192,317.30/(161,480,010)/1,000) equals \$1.19/1,000.

2. Irvine notified Estill County that its wholesale rate would increase from \$2.587 per 1,000 gallons to \$3.130 per 1,000 gallons effective July 19, 2017.<sup>7</sup> Estill County proposed to increase the water rates to its customers effective September 18, 2017, to reflect the increased cost of purchased water from Irvine.

3. Estill County proposes a purchased water adjustment factor of \$0.89 per 1,000 gallons.

4. During the 12 months ended August 31, 2017, Estill County purchased 263,139,000 gallons of water from Irvine and 373,500 from Jackson County. During the same period, Estill County sold 161,480,010 gallons of water. The increase in the cost of purchased water is \$142,884.48, resulting in a purchased water adjustment factor of \$0.89 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.89 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just and reasonable and should be approved.

6. Estill County's proposed rates, as set forth in Appendix B to this Order, are fair, just and reasonable and should be approved for water service rendered by Estill County on and after September 18, 2017.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.89 per 1,000 gallons is approved.

2. The rates as set forth in Appendix B to this Order are approved for water service rendered by Estill County on and after September 18, 2017.

---

<sup>7</sup> TFS 2017-00143 (Ky. PSC filed March 24, 2017). The tariff was accepted for filing by the Commission by letter dated July 19, 2017.

3. Within 20 days of the date of this Order, Estill County shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

By the Commission



ATTEST:

  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2017-00377 DATED **OCT 13 2017**

	New Rate	Base Rate
Irvine		
Purchases in gallons	263,139,000	263,139,000
Volumetric rate	<u>\$3.130/1,000</u>	<u>\$2.587/1,000</u>
	\$823,625.07	\$680,740.59
Jackson County		
Purchases in gallons	373,5800	373,500
Volumetric rate	\$ <u>3.50</u>	\$ <u>3.50</u>
	\$ 1,307.25	\$1,307.25
	Increased water cost	\$142,884.48
Increased water cost		\$142,884.48
Divided by gallons sold/1,000		<u>161,480,010</u>
		\$ 0.8848
Purchased water adjustment factor		\$ 0.89 per 1,000 gallons

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2017-00377 DATED **OCT 13 2017**

The following rates and charges are prescribed for the customers in the area served by Estill County Water District No. 1. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

#### Monthly Water Rates

##### 5/8- x 3/4-Inch Meter

First 2,000 Gallons	\$18.98 Minimum Bill
Next 3,000 Gallons	9.26 Per 1,000 Gallons
Next 5,000 Gallons	9.06 Per 1,000 Gallons
Over 10,000 Gallons	7.17 Per 1,000 Gallons

##### 1-Inch Meter

First 5,000 Gallons	\$46.76 Minimum Bill
Next 5,000 Gallons	9.06 Per 1,000 Gallons
Over 10,000 Gallons	7.17 Per 1,000 Gallons

##### 2-Inch Meter

First 16,000 Gallons	\$135.08 Minimum Bill
Over 16,000 Gallons	7.17 Per 1,000 Gallons

Bulk Loading Station	\$6.35 Per 1,000 Gallons
----------------------	--------------------------

\*Estill County Water District #1  
76 Cedar Grove Road  
Irvine, KY 40336

\*Audrea Miller  
Office Manager  
Estill County Water District #1  
76 Cedar Grove Road  
Irvine, KY 40336

\*Gerald E Wuetcher  
Attorney at Law  
STOLL KEENON OGDEN PLLC  
300 West Vine Street  
Suite 2100  
Lexington, KENTUCKY 40507-1801